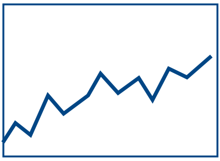
Managing Your TSP Account



Thrift Savings Plan
for the Uniformed Services

To get the most out of the Thrift Savings Plan, you need to take an active role in managing your TSP account. The decisions *you* make, such as how much to contribute, how to invest, whether or not to take a loan, and when and how to withdraw your money, will significantly affect your future TSP benefits.

This leaflet is a short guide to managing your TSP account under the new daily valued TSP record keeping system. It also tells you the forms, materials, and other media to refer to for more detailed information. It covers:

Getting Started

- Starting to contribute or changing the amount of your contributions
- Making "catch-up" contributions
- Understanding the kinds of pay you can contribute
- Transferring money into your TSP account
- How your initial contributions are allocated among the TSP funds
- Using your TSP PIN
- Designating or changing your beneficiary

Planning and Carrying Out Your Investment Strategy

- Figuring out your retirement needs
- Deciding on your investment strategy
- Distributing your money among the TSP funds
- Reviewing your investment strategy

Monitoring Your Account

- To find out your account balance
- To find out whether your account information is correct
- To correct or update your account information

Getting Your Money Out

- Borrowing from your account
- Making an in-service withdrawal
- Dealing with your account after you separate from the uniformed services

Getting Started

Starting to contribute or changing the amount of your contributions

You may start contributing to your TSP account within 60 days of the date you joined the uniformed services. If you miss the opportunity to begin contributing within 60 days of joining, you can start contributing during an open season; TSP open seasons are April 15 – June 30 and October 15 – December 31.

To start contributing to the TSP, you must complete a TSP election in one of two ways: You may be able to fill out Form TSP-U-1, Election Form, and submit it to your service. Alternatively, some services require that you use an electronic version of the Election Form on MyPay; check with your service TSP representative. Form TSP-U-1 is available from your service, from the TSP Web site at www.tsp.gov (in Uniformed Services Forms & Publications), or from the TSP Service Office.

Your TSP election allows you to specify the percentage of your pay you want to contribute to your account. Until December 2003, you may contribute up to 8% per pay period. These percentages will increase by 1% yearly in December until December 2005, when they will be eliminated entirely. At that point, the highest amount you will be able to contribute will be the IRS elective deferral limit ($12,000 for 2003; $15,000 for 2006).

To change the amount or percentage of your pay you are contributing to your account, you must complete a new Form TSP-U-1 (or its electronic equivalent) and submit it to your service during an open season. **To specify how you want to allocate your contributions** to your account, see “Distributing your money among the TSP funds” on page 6.

To find out more about eligibility, TSP open seasons, and other details of the TSP, read the *Summary of the Thrift Savings Plan for the Uniformed Services*. The Plan Summary is available from your service or the TSP Web site.

Making “catch-up” contributions

If you are **age 50 or older** (or will turn 50 during the calendar year), and you are **contributing the**

maximum amount for which you are eligible, you can contribute an additional amount to the TSP from your pay. This "catch-up" contribution increases from a maximum of $2,000 in 2003 to a maximum of $5,000 in 2006 and thereafter, as follows:

Year	Catch-Up Amount
2003	$2,000
2004	$3,000
2005	$4,000
2006 and thereafter	$5,000

(Thus, in 2006, you will be able to contribute as much as $20,000 to your TSP account.)

To be able to take advantage of catch-up contributions, fill out the Catch-Up Contribution Election Form (TSP-U-1-C), which is available from your service (or use your service's electronic version).

Your catch-up contributions will be allocated among the funds in the same proportions as your regular contributions.

Understanding the kinds of pay you can contribute

You may elect to contribute basic pay, incentive pay, or special pay (including bonus pay) to the TSP. You **must** contribute basic pay to be eligible to contribute incentive pay or special pay (including bonus pay). You may elect to contribute basic pay, incentive pay, or special pay (*excluding* bonus pay) only when you become a member of the uniformed services or during regular open seasons. However, you may make an election to contribute from bonus pay at any time.

Transferring money into your TSP account

Once your account is set up, you may also **transfer into the TSP** balances from your traditional IRA(s) or eligible employer plan(s). Use Form TSP-U-60, Request for a Transfer Into the TSP, which is available from the TSP Web site or from the TSP Service Office. Form TSP-U-60 explains the rules and restrictions for transferring money into the TSP.

Your transferred money will be allocated in the same way as your regular contributions.

How your initial contributions are allocated among the TSP funds

Your TSP contributions are deducted from your pay automatically and sent to the TSP. If you are a new TSP participant or if you have never made a contribution allocation, all contributions to your account will be invested in the G Fund until you make a contribution allocation. See "Distributing your money among the TSP funds," on page 6.

Your contribution allocation will remain in effect until you change it. Your balance in each TSP fund will be represented in shares of that fund; the share price of each fund can change each business day.

Using your TSP PIN

Each TSP participant is mailed a 4-digit Personal Identification Number (PIN) when his or her account is first established. Your PIN is meant to be used on the TSP Web site or the ThriftLine to get information about your account or to make contribution allocations, interfund transfers, or other transactions that affect your account. You should safeguard your PIN to prevent unauthorized access to your account.

If you wish to change your existing PIN to one of your choice, you can do so on the Web site or the ThriftLine, by following the instructions for a change of PIN. The change is effective immediately.

If you have lost your PIN, you can request a new one on the TSP Web site or the ThriftLine or by writing to the TSP Service Office. You must include your Social Security number and date of birth in your letter. It takes a week or more to receive a new PIN, and you will not have access to your account in the meantime.

Designating or changing your beneficiary

To designate one or more beneficiaries to receive your TSP account if you die before withdrawing it, fill out Form TSP-U-3, Designation of Beneficiary, which is available from the TSP Web site or your service TSP representative, and mail it to the TSP Service Office.

Your participant statement will indicate whether you have a beneficiary designation on file and the date it was signed. Keep your beneficiary designation up to date to reflect changes in your life situation, such as marriage, births, adoptions, divorce — even a change of address for your beneficiaries.

To change an existing beneficiary designation, complete and send in a new Form TSP-U-3. To cancel your beneficiary designation, you may use Form TSP-U-3 and write "CANCEL" on it, or you may write to the TSP Service Office; include your Social Security number and date of birth in your letter so we can correctly identify your account.

If you do not have a valid beneficiary designation on file with the TSP (or if you do not wish to file a beneficiary designation), your account will be distributed according to the statutory order of precedence described in the Plan Summary. A will is not a substitute for Form TSP-U-3 and will not affect the disposition of your TSP account.

Planning and Carrying Out Your Investment Strategy

Figuring out your retirement needs

To help you decide how much to contribute to the TSP, you should estimate how much money you are going to need after you retire. You can use a rule of thumb, such as 70% of your pre-retirement salary, or you can be more precise by listing your expected post-retirement expenses and making projections based on those numbers. You should then consider your other post-retirement sources of income, such as your military retired pay, Social Security, and/or civilian or Federal pensions. (Contact your service, the Social Security Administration, or the Office of Personnel Management, as appropriate, for information about these benefits.) Also take into account any other savings, investments, or other assets you may have.

Then go to the Calculators section of the TSP Web site and link to the ASEC Ballpark Estimate calculator to run the numbers. Go back to the TSP Projecting Account Balance Calculator and try out various scenarios for contribution amounts, years until you withdraw your money, and rates of return to get an idea of how much you would have to contribute to the TSP to meet your retirement goals.

Deciding on your investment strategy

Once you have an idea of how much you might need in retirement, you will need to decide how best to get there. Here are some of the things to keep in mind when deciding on an investment strategy:

- Take advantage of the tax advantages — the taxable money you contribute to the TSP is tax-deferred until it is distributed to you, so the more you are able to contribute, the less tax you pay now and the faster your account balance can grow. Tax-exempt contributions from combat zone pay are, of course, never taxed, but the earnings on **all** contributions are taxable upon distribution to you. (See the Plan Summary for a discussion of pay earned in a combat zone.)

- Maximize matching money — if your service authorizes matching contributions and you are eligible to receive them, your service will match your basic pay contributions dollar-for-dollar on the first 3 percent of basic pay you contribute and 50 cents on the dollar for the next 2 percent, for a maximum match of 4%. You should take full advantage of the match so that you don't lose out on money that cannot be recaptured. (At the time of publication of this leaflet, no service had yet authorized matching contributions.)

- Read about the five TSP funds in the Plan Summary and look at their historical returns. Although past performance is no guarantee of future returns, you can get some indication of the risks and returns of each fund by seeing how it has performed in the past.

- Consider your time horizon — the younger you are, the more time you have to make up for losses in riskier investments, and therefore the more risk you can afford to take for potentially higher gains. The closer you are to retirement, the less risk you may be willing to take.

- Consider the effects of inflation and taxes on your investment return. A "safe" investment with a modest return may not cover the cost of inflation and taxes — which would, effectively, cost you money.

Then, be an informed investor. For information about investment strategies such as diversification and dollar-cost averaging, as well as more detailed information about the TSP funds, read the *Guide to TSP Investments*, which is available from your service TSP representative, the TSP Service Office, or the TSP Web site. You can use the information to help you decide how to allocate your contributions.

Distributing your money among the TSP funds

You have two ways of distributing your money among the five TSP investment funds:

A **contribution allocation** directs the **money going into your account** to the fund(s) of your choice.

An **interfund transfer** redistributes the **money already in your account** among the investment funds in the proportions you choose. You may want to make an interfund transfer to "rebalance" your account when gains or losses in the funds have changed the proportions you had chosen as part of your investment strategy.

You can make a contribution allocation or interfund transfer using any of the following methods:

- Accessing your account on the TSP Web site at www.tsp.gov
- Calling the ThriftLine — (504) 255-8777
- Completing Form TSP-U-50, Investment Allocation, and mailing it to the TSP Service Office

You will need your Social Security number and your 4-digit TSP PIN to use the Web or the ThriftLine. If necessary, you can make your contribution allocation or interfund transfer by calling the ThriftLine and speaking directly to a participant service representative. (For information on how to change the *amount* you are contributing, see page 1.)

Reviewing your investment strategy

You should periodically review your investment strategy in light of changes in your personal situation (marriage, divorce, births, etc.), your tolerance for risk, your time horizon, your retirement needs, and your other sources of retirement income. You should then decide whether you want to change the amount you are contributing to the TSP or the proportions you are investing in each of the TSP funds.

Monitoring Your Account

To find out your account balance, you can review your quarterly participant statements and access your account information on the TSP Web site or the ThriftLine. (You can find out the number of shares of each investment fund you own, as well as the dollar value of your investments.) Your quarterly participant statements will be available by mail and on the TSP Web site.

Under the new system, your account is valued on a daily basis; however, that does not mean you need to monitor it daily, nor that you should react to daily market changes by making frequent changes to your contribution allocation or frequent interfund transfers. The TSP is a long-term investment plan, and your investment decisions should reflect this.

To find out whether your account information is correct, you should check your participant statement to ensure that:

- Your personal information (name, address, Social Security number, date of birth, etc.) is correct
- You have a current beneficiary designation on file (if you filed one)
- The correct amount of contributions is being deposited each pay period
- Payments on any loans you may have are being deposited, and in the correct amount
- Any transactions (interfund transfers, loans, withdrawals, adjustments, etc.) have been properly recorded

To correct or update your account information:

- **If you are a current member of the uniformed services,** have your service make any corrections to your TSP account record. To correct or change your beneficiary designation, however, you must send a revised Form TSP-U-3 directly to the TSP Service Office.

- **If you are a separated participant,** make address corrections yourself on the Web site, or send Form TSP-U-9, Change of Address for Separated Participant, or Form TSP-U-15, Change in Name for Separated Participant, to the TSP Service Office. (Note: If you submit a post-separation withdrawal form with your new address, it will automatically change the address in your TSP record.) These forms are available from the TSP Service Office and the Web site. For corrections to other TSP data, contact the TSP Service Office.
- **If you change services (or payroll offices),** make sure that your TSP contributions (and your loan payments, if any) continue once you have transferred. Report any errors to your new payroll office immediately, and follow up.

Getting Your Money Out

If you are married, spouses' rights requirements apply to TSP loans and withdrawals. (See the Plan Summary.) If you cannot obtain your spouse's signature because his or her whereabouts are unknown or because other exceptional circumstances exist, you will need to submit Form TSP-U-16, Exception to Spousal Requirements.

Borrowing from your account

At some point, you may decide to take a loan from your TSP account for general purposes or to purchase your primary residence. Before doing so, read the booklet *TSP Loan Program*, available from your service or the TSP Web site. In particular, read the section "Cost of a TSP Loan," which will help you decide whether your TSP account is your best option for borrowing money. Even though your loan payments go back into your TSP account, taking a loan will have an effect on your TSP balance at retirement.

You can also use the Loan Calculator on the TSP Web site to estimate what your loan payments (including interest) would be under different scenarios.

You can apply for a loan by completing Form TSP-U-20, Loan Application, and mailing it to the TSP Service Office. You can also apply for a loan on the TSP Web site, and, depending on your situation and the purpose of the loan, you may be able to complete the application process on-line. If you cannot complete it on the Web site, you can print out a Loan Agreement, complete it, provide any required documentation, and mail it to the TSP Service Office.

A general purpose loan must be repaid within 5 years; a residential loan within 15 years. However, you may prepay part or all of your loan at any time. You can also reamortize your loan at any time, provided you do not exceed the repayment time limits for the type of loan you have. See the loan booklet for details.

If you are a member of the Ready Reserve who is not paid on a monthly basis, you should not take a TSP loan because TSP loan payments must be made monthly. The failure to make monthly payments could result in a taxable distribution of your outstanding loan balance (plus interest). This would mean that you would be liable for income taxes on the amount of the distribution, as well as a possible tax penalty for early withdrawal.

You can find out your outstanding loan balance and request a reamortization on the TSP Web site or by calling the TSP Service Office.

Making an in-service withdrawal

You can withdraw money from your account while you are still a member of the uniformed services under two circumstances:

- If you are 59½ or older, you may make a one-time, age-based in-service withdrawal.
- If you have a financial hardship, you may make a financial hardship in-service withdrawal (limited to one every 6 months).

An in-service withdrawal permanently depletes your TSP account, so you should consider your needs very carefully before making one. Remember that money you withdraw before retirement will not be available later. Before applying, read the booklet *TSP In-Service Withdrawals*, which is available from your service or the TSP Web site.

Different rules and requirements apply to each type of in-service withdrawal. For example, if you make an age-based withdrawal, you will not be eligible for a partial withdrawal after you separate from service. (See below.) If you make a financial hardship withdrawal, you cannot contribute to your account for 6 months, which means if you were receiving service matching contributions you will not receive them during that time. In addition, you must pay taxes on money you withdraw from your account (and an early withdrawal penalty tax on money you withdraw before age 59½).

You can apply for an age-based in-service withdrawal on the TSP Web site or by completing Form TSP-U-75, Age-Based In-Service Withdrawal Request. Depending on your situation, you may be able to complete an age-based in-service withdrawal on the Web. If you cannot, you can print out the partially completed form, complete it, and mail it to the TSP Service Office. You can have the TSP transfer part or all of an age-based in-service withdrawal to a traditional IRA or eligible employer plan.

For a financial hardship in-service withdrawal, you can apply on the TSP Web site or by completing Form TSP-U-76, Financial Hardship In-Service Withdrawal Request. Again, depending on your situation, you may be able to complete this withdrawal request on the Web. If not, you can print out the partially completed form, complete it, and mail it to the TSP Service Office.

Dealing with your account after you separate from the uniformed services

After you separate from service, you have a number of options. You can:

- **Leave your money in the TSP.** If you are younger than 70½ when you separate or retire, you can leave your money in the TSP so long as your account balance is $200 or more. If it is less than $200, it will automatically be paid to you in a single payment. You will not be allowed to keep that money in the TSP.

  If you have both a uniformed services and a civilian TSP account and you separate from Federal civilian service or the uniformed services, or both, you may combine your TSP accounts. (However, you cannot move any tax-exempt balances from your uniformed services account into your civilian account.) Use Form TSP-65, Request to Combine Uniformed Services and Civilian TSP Accounts.

You must withdraw your account (or begin receiving monthly payments) by April 1 of the year following the year you turn 70½ and are no longer in service.

- **Make a partial withdrawal.** If you are eligible to leave your money in the TSP but want access to some of it, you may make a one-time withdrawal of a portion of your account in a single payment. However, you cannot make a partial withdrawal if you previously made an age-based in-service withdrawal. You may initiate (and, in some cases, complete) a partial withdrawal on the TSP Web site, or complete Form TSP-U-77, Request for Partial Withdrawal When Separated, and mail it to the TSP Service Office.

- **Make a full withdrawal.** There are three basic methods for withdrawing your entire TSP account:

  – a single payment

  – monthly payments

  – an annuity purchased for you by the TSP

  You can withdraw your account using any one or any combination of these methods. (A withdrawal combining any two or all three methods is a "mixed withdrawal.")

  You can use the Annuity Calculator on the TSP Web site to find out what your annuity payments could be under different scenarios.

  Once you have decided how to withdraw your account, you may initiate (and, in some cases, complete) a full withdrawal on the TSP Web site, or complete Form TSP-U-70, Request for Full Withdrawal, and mail it to the TSP Service Office.

You can have the TSP transfer part or all of a partial withdrawal or certain types of full withdrawals to a traditional IRA or eligible employer plan.

If you choose monthly payments, you can change where your payments are going or receive a final single payment at any time. You will also have an annual opportunity to change the amount you are receiving.

Read more about your withdrawal options in the Plan Summary and in the booklet *Withdrawing Your TSP Account After Leaving Federal Service*, available from your service or the TSP Web site.

Other things to keep in mind after you separate:

- Your service is no longer your contact for your TSP account. Instead, you will deal directly with the TSP Service Office. (See back cover.)
- Keep your personal information (and your beneficiary information, if applicable) in your TSP account record up to date. (See page 7.) Otherwise, you may not receive important TSP mailings, including checks.
- Keep track of your account and make your withdrawal election in plenty of time. If you do not withdraw or begin withdrawing your TSP account by April 1 of the year following the year in which you turn 70½, your account will be considered abandoned. Although you can reclaim it, earnings will no longer accrue to your account.

Sources of information about your TSP account:

Your service TSP representative

TSP Web site: www.tsp.gov

ThriftLine: (504) 255-8777
(not a toll-free number)

TSP Service Office
National Finance Center
P.O. Box 61500
New Orleans, LA 70161-1500
Telephone: (504) 255-8777
TDD: (504) 255-5113

Thrift Savings Plan
for the Uniformed Services

TSPLFU12 (8/2003)